



International Presentation

Short Term Trade Finance Products

FAB & Small Business Administration
(SBA)

Overview- Trade Finance Instruments

- **Classic Trade Products:** Letters Of Credit, Collections, Open Account
- **Enhanced Trade Products:** Export Credit Insurance (private or public)
- **Structured Trade Solutions:** Export Working Capital, Medium Term Financing

Features & Benefits

- **Marketing-** offering terms to foreign buyers increases ability to sell more.
- **Risk Mitigation-** by using certain trade finance products, you can reduce your companies exposure to loss.
- **Financing-**some trade finance products can be used to increase your company's ability to receive additional financing

Pre-Export Financing



SBA

Eximbank

Post -Export Financing



CPO

Trade Finance Products

- **Pre-shipment financing** (advances made on receipt of foreign purchase order-using SBA's EWCP program)
- **CPO** (FAB's in house version of transactional foreign AR lending using either FAB's insurance policy or assignment of exporter's)
- **SBA Export Express** (loan provided to grow one's export business-finance equipment/shows etc. usually a term loan)
- **STAR** (foreign AR borrowing base loan, advances made against assigned credit insurance)
- **Traditional ABL** (commercial loans using foreign AR and Inventory as part of borrowing base- may be used with Eximbank WCG program)

Types of Exporters



Manufacturing



Services



Trading



Wholesaler
Distributor

Export Working Capital Program (EWCP) - Preshipment Financing

- **Features**

- transactional or revolving line
- fast turnaround (FAB is a PLP Lender)
- only type of bank line of credit to advance against eligible foreign purchase orders/L/C's
- may be used for non-U.S. content as long as goods are shipped from the U.S.
- may be used to finance sales to military buyers (Colombian/Peruvian Air Force)
- much higher advance rates than traditional loc's

EWCP Program

- Use of Proceeds
 - Working Capital
 - Foreign Accounts Receivable financing
 - Finance labor and materials used to manufacture goods for export
 - Purchase finished goods or inventory for export
 - Finance Standby letters of credit used for bid or performance bonds

EWCP -continued

- **Eligibility**

- Majority owner must be U.S. permanent resident or U.S. Citizen
- All owners with 20% or more equity must provide personal guarantee
- Business should be in business at least 12 months-with one year of tax returns
- Must meet SBA size standards
- Must provide supporting material to show need for loan and ability to repay

Collateral and credit enhancements

- UCC 1 on all assets
- Export Inventory-tied to signed PO's
- Export accounts receivables (invoice, BOL)
- Maybe a second lien on collateral of other loans
- Personal guarantees of all owners >20%
- Occasionally a CD to support weaknesses

Step One

- What are Borrower's objectives?
- What is Borrower's business?
- What is Borrower's history or experience?
- What is Borrower's primary financing need?
- What is the size of loan request?

Step Two

- Find an interested and knowledgeable lender- ask SBA or Eximbank for references
- Try to ascertain what all in costs will be compared with other methods of financing
- Provide complete business file/application to lender- be clear and transparent of needs
- Open business accounts with lender to make sure payments are directed to that lender

Step three

- Borrower is approved, loan docs are signed
- Borrower complies with documentation requirements and covenants of loan
- Foreign buyers remit payment to buyer through the Lender's controlled account
- Borrower grows export business and increases profitability, perhaps graduates to a more traditional commercial lending line of credit

CPO- Transactional AR Financing

- **Features**

- One buyer in one country can be approved
- Invoices of \$50,000 or more can be financed
- Terms up to 180 days for repayment are allowed
- Non U.S. goods and drop shipments can be insured.
- Simple documentation packet required at each advance
- Bank monitors credit line and assists with collection and claim filing if needed

Why Credit Insured Open Account “CPO” may be best option

- Foreign Buyer would like longer terms
- Seller is interested in expanding into new markets and int'l sales are growing
- Market conditions change (ex: recent economic crisis) or order size is larger than normal
- Seller's credit policy changes to require credit insurance on all credit sales

How does it work?

- Seller can “piggyback” on lender’s policy
- Seller can obtain their own policy and assign it to lender
- First step is to get buyer(s) approved for a credit line- usually only name, address and credit amount is needed
- If buyer can be approved, lender sets up credit facility in order to advance on A/R

Key Benefits of Foreign Receivable Financing with Credit Insurance

- Seller
 - Sells more
 - Pays less fees
 - Gets payment faster
- Buyer
 - Buys more
 - Pays less interest
 - Gets goods faster



Getting Started with FAB

- 3 years corporate tax returns and financial statements
- Most recent interim financials, current AR and AP
- Articles of Inc, Company registration information
- Foreign Buyer information, address, high credit amt
- FAB will require a UCC/subordination agreement
- Personal credit score on >20% ownership
- Copy of credit insurance policy-assignment

Applications

- **Example One:** Exporter of agri-pesticides would like to reduce its country exposure risk in Mexico but at the same time provide competitive financing terms to buyer.
- **Example Two:** U.S. distributor has opportunity to increase sales in Caribbean but must pay their vendors in advance or within 30 days. How can they sell to foreign buyer on extended terms and finance these sales?

Pricing

- **Short term receivable financing:** costs depend on whether using own credit insurance policy or piggybacking on FAB's bank credit insurance policy- average cost is 1.25% per month on invoice amount.
- **Working capital program:** (depending on the size) **Facility fee** ranges from 1.5 to 3%, and the **interest rate** is between Prime plus 1 and 3.0% (floors)

First American Bank-Int'l Dept

- Staff of eleven (over 120 years of experience)
- HQ in Elk Grove Village, IL
- Int'l footprint across the U.S.- customers in IL, Florida, New York, TN
- Transactional – full commercial relationship not necessary
- Full service Int'l capabilities

Who to Contact

- International Department:
First American Bank
1650 Louis Avenue
Elk Grove Village, IL 60007
Chantal Wittman, VP
(847) 586-2711
cwittman@firstambank.com